

Message Text

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PAGE 01 STATE 180006

47

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C O N F I D E N T I A L STATE 180006

E.O. 11652: XGDS-1

TAGS: EIND, EFIN, UK

SUBJECT: BRITISH WHITE PAPER ON INDUSTRY

1. UK COMMERCIAL COUNSELOR SHARP BRIEFED DEPTOFFS FROM EB AND EUR AUGUST 15 ON BRITISH WHITE PAPER ON INDUSTRIAL POLICY. SHARP SAID HE WAS BRIEFING STATE, COMMERCE, TREASURY AND CIEP ON DOCUMENT TO BE RELEASED IN LONDON SAME DAY.

2. SHARP STRESSED FACT THAT PROPOSALS SHOW LABOR GOVERNMENT DOES NOT REPEAT NOT PLAN WIDESPREAD NATIONALIZATION. THEY APPEAR, IN FACT, TO BE COMPROMISES BETWEEN LEFT-WING HOPES FOR NATIONALIZATION (AS WELL AS MANIFESTO PLEDGES)
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 180006

AND NEED TO REASSURE INDUSTRY AND INCREASE BUSINESS CONFI-

DENCE. SHARP SAID MUCH OF PAPER HAD BEEN WRITTEN BY WILSON HIMSELF AFTER INTERAGENCY WRANGLING AND INABILITY TO REACH INTER-MINISTERIAL AGREEMENT.

3. SHARP ADMITTED POWERS GRANTED TO NEW NATIONAL ENTERPRISE BOARD TO TAKE OVER FIRMS IN ORDER AVOID THEIR COMING UNDER "UNACCEPTABLE FOREIGN CONTROL" WOULD POSSIBLY GIVE US QUALMS. HE FELT, HOWEVER, THIS WOULD BE USED RARELY, IF EVER, AND ONLY FOR STRATEGIC OR SECURITY REASONS. THE EXAMPLE HE USED WAS THAT UK WOULD PROBABLY INTERVENE IF IT APPEARED THAT BRITISH LEYLAND, SOLE REMAINING AUTO MANUFACTURER UNDER BRITISH CONTROL, WAS

ABOUT TO BE TAKEN OVER BY FOREIGN INTERESTS.

4. LEGISLATION TO IMPLEMENT WHITE PAPER PROPOSALS IS EXPECTED TO BE PLACED BEFORE PARLIAMENT WHEN IT RECONVENES IN THE AUTUMN--IF THE LABOR GOVERNMENT IS STILL IN POWER FOLLOWING THE ANTICIPATED GENERAL ELECTION. SUMMARY OF MAIN POINTS FOLLOWS.

5. GENERAL.

A. OBJECTIVE IS TO PROMOTE INVESTMENT IN MANUFACTURING INDUSTRY AND THUS STRENGTHEN BRITISH ECONOMY (PARAS 1-11 AND 23-24, PARTICULARLY PARA 10).

B. WHITE PAPER CONTAINS NO PROPOSALS FOR WIDESPREAD NATIONALIZATION IN MANUFACTURING INDUSTRY (PARAS 5 AND 31-33).

6. THE NATIONAL ENTERPRISE BOARD

A. NEB WILL HOLD EXISTING GOVERNMENT SECURITIES (PARAS 24 C AND 29).

B. NEB WILL HAVE POWER TO PROVIDE INVESTMENT CAPITAL IN ORDER SUPPORT CERTAIN OBJECTIVES; ONE OF THESE IS ACHIEVEMENT OF MORE EXPORTS OR A REDUCTION IN UNDUE DEPENDENCE ON IMPORTS (PARAS 24 A AND B AND 27-28).

C. AIM IS ALL ACQUISITIONS SHOULD BE BY AGREEMENT:
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PAGE 03 STATE 180006

SOMETIMES ONLY PART OF THE SHARE CAPITAL WILL BE ACQUIRED AND SOMETIMES ALL OF IT. LATTER MIGHT OCCUR WHEN THERE WOULD OTHERWISE BE CONFLICT BETWEEN NEB OBJECTIVES AND THE INTERESTS OF PRIVATE SHAREHOLDERS, E.G., WHERE THERE IS A DANGER OF A FIRM PASSING INTO "UNACCEPTABLE" FOREIGN CONTROL OR WHERE COMPETITION IN A SECTOR IS WEAK (PARA 31).

D. SOME INTERVENTION ENVISAGED IN RESPECT TO AILING BUT POTENTIALLY SOUND COMPANIES (PARAS 32 AND 34).

E. IN CASES INVOLVING COMPULSORY ACQUISITION, SPECIFIC PARLIAMENTARY AUTHORITY WOULD BE SECURED AND THERE WOULD BE PROMPT AND FAIR COMPENSATION TO EXISTING SHAREHOLDERS (PARA 33).

F. NEB IS TO MEET SUITABLE FINANCIAL OBJECTIVES. DEPARTURE FROM THIS STANDARD ON SOCIAL GROUNDS WILL BE JUSTIFIED SEPARATELY (PARAS 25 AND 37).

7. PLANNING AGREEMENTS

A. THESE ARE VOLUNTARY AGREEMENTS UNDER WHICH FIRMS IN KEY SECTORS PROVIDE CERTAIN INFORMATION ABOUT THEIR PERFORMANCE AND PLANS, AND THE GOVERNMENT IN TURNS GIVES FIRMS RELEVANT INFORMATION TOGETHER WITH A MEASURE OF ASSURANCE OF GOVERNMENT SUPPORT (PARAS 11-12, 15-16, 22, AND ANNEX).

B. ARRANGEMENT WILL BE INTRODUCED SECTOR BY SECTOR, STARTING WITH THOSE OF PARTICULAR IMPORTANCE SUCH AS THE ENGINEERING INDUSTRY (PARA 17).

C. A FIRM NEED NOT CONCLUDE AN AGREEMENT. FINANCIAL ASSISTANCE UNDER THE INDUSTRY ACT OF 1972 WILL CONTINUE TO BE AVAILABLE FOR COMPANIES NOT COVERED (PARAS 11 AND 13).

D. FULLEST POSSIBLE CONSULTATION WITH INDUSTRY IS ENVISAGED (PARA 15). KISSINGER

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